

## ENTREPRENEURIAL ECOSYSTEM OF AGRICULTURAL SOCIAL FRANCHISING

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**Abstract.** *Although the implementation of the social franchising concept is relatively new in agricultural business, examples of successful business stories have recently appeared, especially in the underdeveloped countries of Asia, Africa and South America. The aim of the paper is to determine the best examples of entrepreneurial ecosystems of agricultural social franchising by applying a qualitative multiple case study analysis and point out the importance of the implementation of agricultural social franchising in the development of agribusiness in the Republic of Serbia. The experiences of analyzed social agricultural franchises from Kenya, Bangladesh and Nigeria can serve as an example of good practice for the development of social franchising in rural areas in Serbia, with the aim of developing productive agriculture that will lead to economic development. It is very important to enable the development of social agricultural franchising through the Strategy of agriculture and rural development, bearing in mind a number of benefits that can be realized in Serbian agriculture, primarily when it comes to the development of rural areas and the increase in the income and social welfare of farmers.*

**Key words:** *agricultural social franchising, entrepreneurial ecosystem, franchising, social franchising, agriculture*

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## 1. INTRODUCTION

In the last few decades, the interest of theorists and practitioners in the field of business strategy and entrepreneurship, as well as regional development, in entrepreneurial ecosystems has been growing. Although originally used in a biological context, the ecosystem concept in economic science and management gained importance with the work of James Moore (1993), who promotes the so-called business ecosystems. James Moore (1993) used the concept of a business ecosystem as a metaphor and analogy, which is a common approach in illuminating certain phenomena in science, in order to determine how the interconnection of participants in a certain environment and the dynamics of their relationships affect their development and even survival (Peltoniemi & Vuori, 2004; Anggraeni et al., 2007).

Today, in addition to business ones, we are talking about different types of ecosystems, from innovative, entrepreneurial and knowledge ecosystems (Ianioglo, 2022; Cobben et al., 2022; Jacobides et al., 2018; Van de Wiele, 2017), all the way to the latest - digital business ecosystems (Senyo et al., 2019; Sussan & Acs, 2017). Therefore, there are different types of ecosystems, where entrepreneurial ecosystems represent only one type (Acs et al., 2017). The term entrepreneurial ecosystem appeared at the beginning of the 2000s, but has become a dominant concept in the economic literature, when talking about the company's environment, somewhere since 2016 (Malecki, 2017). Bearing in mind that this is a relatively recent phenomenon, Stam (2015, p. 1761) points out that "There is not yet a widely shared definition".

One of the most famous scholars in this field, Isenberg (2010, 2011), sees the entrepreneurial ecosystem as a set of numerous individual elements that he groups into domains, such as politics (government and leadership), human capital (work force and educational institutions), entrepreneurial culture (successful ventures and social norms), finance (private equity, business angels, venture capital, microcredit, debt), market (networks of entrepreneurs and multinational companies, as well as early adopters) and various support organizations (support institutions, infrastructure, non-governmental organizations), which interact in numerous and complex ways. Only taken together, they can contribute to the growth and development of innovative entrepreneurial organizations and their success. Isenberg (2011) pointed out that it is the combination of elements that is always unique, leading to the advantage of one entrepreneurial ecosystem over another.

Increasing interest in entrepreneurial ecosystems in theory and business practice occurs in times of economic crisis and stagnation, accompanied by increasing disparities in the economic development of individual countries and regions (Spigel et al., 2020). It is emphasized (González Flores & Katonànè Kovács, 2018, Spigel et al., 2020) that the development of entrepreneurial ecosystems has a positive impact, both on the economy (encouraging innovation, contributing to the development of certain sectors and the creation of new jobs), and on the overall social development.

In addition to the attention attracted by ecosystems located in large cities and regions, some researchers, as well as policy makers, are beginning to pay more attention to entrepreneurial ecosystems located in small, peripheral cities or rural areas (Roundy, 2017a). Also, entrepreneurial ecosystems are very heterogeneous in nature, so attention should be paid to the connections and relations between the elements of the entrepreneurial ecosystem, rather than to the elements themselves (Fredin & Lidén, 2020).

In addition, recent literature indicates that there is a need for a mix of entrepreneurs, including social entrepreneurs, to appear in one ecosystem, rather than only those who

are market-oriented, i.e. profit-oriented (Malecki, 2017; Roundy, 2017a). As Roundy (2017b) points out, „social entrepreneurs are also affected by many of the factors of the entrepreneurial ecosystem that affect conventional entrepreneurs“, so we can also talk about the social enterprise ecosystem. In addition to the geographic focus (regional, national and international), networking of social enterprises is increasingly taking place based on the sector of activity (e.g. agriculture, tourism, services) or the type of business model they implement (Borzaga et al., 2020). Thus, for example, „agricultural entrepreneurship is generally seen as a sub-domain of rural entrepreneurship, but it can also be linked to urban, sustainable and social entrepreneurship“ (Björklund & Johansson, 2020). Similar to conventional enterprises, rural social entrepreneurship can be seen as connecting the entrepreneurial and social mission of the enterprise and emphasizing processes that encourage innovative and entrepreneurial activities with a social purpose (Ibid.). Rural social entrepreneurs use their capacities to solve socioeconomic problems in rural regions. In this regard, the creation of social entrepreneurial ecosystems in agriculture is particularly interesting, as well as the application of innovative business models, such as social franchising, for the successful connection of actors and elements in these ecosystems.

## 2. RESEARCH AIMS AND METHODOLOGY

Bearing in mind that the entrepreneurial ecosystem concept is a relatively new phenomenon in entrepreneurship research, and especially the emergence of new types of these ecosystems, a method suitable for such research is conceptual analysis (Peltoniemi & Vuori, 2004), based on the collection and research of literature and comparison and evaluations of the different interpretations of numerous authors. As pointed out by Spigel et al. (2020) new qualitative research methods, such as Qualitative Comparative Analysis (QCA), are promising in an attempt to point out the specificities of different types of ecosystems, and to show how the different configuration of elements, specific to certain types of ecosystems, should lead to the same goal, and it is the achievement of success for both entrepreneurs and the wider social community. The aim of this paper is to shed light on the phenomenon of entrepreneurial ecosystems, their constituent elements, i.e. the factors that shape them, and to investigate the possibility of applying modern business models, such as social franchising, in shaping specific types of these ecosystems, in a certain local (e.g. underdeveloped regions) and sectoral (e.g. agribusiness) context. Also, the aim of the paper is to determine world best practice in the implementation of these models by applying a qualitative multiple case study analysis and point out the possibilities of entrepreneurial agribusiness ecosystem development in the Republic of Serbia and give certain recommendations to policy makers in our country.

After the introduction, as well as aims and methodology remarks, the third part of the paper deals with social franchising and the construction of the so-called social franchising ecosystem, especially in agribusiness. The next part of the paper provides a multiple case study analysis of the development of social franchising models in agriculture and their ecosystems, followed by the implications and possibilities of applying the model in the practice of agribusiness in the Republic of Serbia. At the end of the paper, the authors' concluding remarks on the analyzed issue are given.

### 3. RESEARCH ON SOCIAL FRANCHISING AND AGRICULTURAL ENTREPRENEURSHIP ECOSYSTEM NEXUS

Franchising is a business model based on a franchise agreement between a franchisor and a franchisee, whereby the franchisor grants the franchisee the right to, in a predetermined location and for a predetermined period of time, sell a product or service or use a business model or brand developed by the franchisor. Therefore, “franchising can be defined as a commercial relationship in which one party allows the other party to clone a proven business model” while paying the initial costs of purchasing the franchise and ongoing fees (Stanković, 2014; Stefanović & Stanković, 2017, 2022).

Social franchising involves applying the principles of business franchising to achieve social goals (Christensen et al., 2010, Agarwal & Satish, 2018). This business concept achieves great impact due to the easy expansion to a large number of franchise units with the combination of the franchisor’s global knowledge and experience and the franchisees’ local knowledge. In this way, it contributes to global brand recognition and the creation of new local jobs (Christensen et al., 2010, Palmer et al., 2020). Social franchising as a business concept emerged in the middle of the first decade of the 2000s, initially with the aim of reducing poverty (Lawson-Lartego, 2016). “Social franchising offers innovative solutions to social problems (unemployment, poverty, etc.) and environmental issues (climate change and pollution, etc.)”. Due to its great potential, it deserves further consideration in academic and business circles as an extremely suitable business model for achieving wider social impact and solving important social problems, especially in the local community (Kabbaj et al., 2016, Ortuno, 2020).

Poverty is one of the biggest obstacles to economic growth and development. About 75% of the world’s poorest people live in rural areas, engage in agricultural activities and depend on agriculture. Nevertheless, “agriculture plays a significant role in reducing poverty for most developing countries and regions” (FAO, 2019). The share of agriculture in global GDP has been stable and amounts to about 4% since 2000. Value added from agriculture increased by 78% between 2000 and 2020, to around \$3.6 trillion (FAO, 2022).

However, despite the importance of agriculture for the economic development of numerous countries, the development of entrepreneurial ecosystems in agriculture is still in the shadow of conventional entrepreneurship ecosystem researchers (as a rule, related to urban environments and developed countries), and it is quite neglected in the literature, leaving a large knowledge gap (Björklund & Johansson, 2020). However, lately some authors are trying to point out the specifics and key components of agricultural entrepreneurial ecosystems. Agricultural entrepreneurial ecosystems may differ “from non-rural entrepreneurial ecosystems in that some or all of the components (and the coordination between them) are limited to rural areas” (Khanna & Palepu, 2005, Newbery & Bosworth, 2014, McKague et al., 2017). “Agricultural entrepreneurship that contributes to greater agricultural productivity and economic growth is a way out of poverty and food insecurity for a large number of people in the world” (Baumol, 1990). In the case of the implementation of the social franchising model, the specificity is reflected in the fact that the franchise system, in addition to making a profit, also has a social goal, i.e. welfare for the wider social community. If we specify social agricultural franchising, in that case we are talking about the concept of social franchising in the field of agriculture, where the franchisors and franchisees are social enterprises from the agricultural field, and the end

customers are usually small farmers. Although small farmers are vital to the development of world agriculture, they still face numerous challenges, including lack of knowledge, experience, access to finance and supply chains (Jensen & Sutter, 2009, McKague et al., 2017, Langyintuo, 2020). Social agricultural franchising is the solution to the most of challenges faced by small farmers in rural areas, especially in underdeveloped countries.

“Agricultural franchising has the potential to solve a large number of problems that accompany the agricultural sector in many countries. Primarily, the franchise concept ensures the rationalization of agricultural production, given that the franchisees operate under a well-known business name and under the constant supervision of the franchisor” (Stanković, 2014). Agricultural social franchising contributes to the optimal use of factors of production, bearing in mind that franchisors most often supply franchisees with factors of production and provide input management support. Considering that agricultural companies that are franchisees use a proven business model that survives on the market for a long period of time, they face a much lower risk than in the case of starting their own business. The initial costs of starting a business are much lower, and better earnings can be achieved with smaller investments, while simultaneously achieving social goals. Intensive dispersion and increase in the number of social agricultural franchises, especially in regions where there was a problem of insufficient amount of agricultural and food products, should contribute to ensuring regularity in food supply, with greater security of the products they buy. In this way, by offering a standard product and quality through a proven business system, franchisor can gain trust and loyalty to brand and products (Ibid.).

#### 4. MULTIPLE CASE STUDY ANALYSIS AND DISCUSSION OF RESULTS

Agriculture-led growth that can contribute to sustainable development, poverty reduction and food security requires a significant increase in productivity in agriculture, especially of small farmers. This includes increasing access to inputs and knowledge that will enable productivity gains for small farmers. Those inputs that enable the increase of productivity in agriculture, for small farmers in particular, include not only animal feed and fertilizers, but also advanced pharmaceutical products, such as veterinary drugs, livestock insemination material, agrochemicals, etc. (McKague et al. 2017, McKague et al., 2018, McKague et al., 2021). There are also possibilities of an innovative approach to supply chains, especially product distribution (McKague, 2014a), as well as knowledge related to product placement and other advisory services (ibid). Since small farmers, in underdeveloped countries particularly, do not have the opportunities, knowledge and experience, as well as entrepreneurial capacities (McKague et al., 2017) to provide those inputs that would increase their productivity and earnings, agricultural franchising, and especially the development of social franchises in agriculture, proved to be a good business model in achieving those goals. Although the application of the concept of social franchising is relatively new in agricultural production, examples of successful implementation of this concept have recently appeared, especially in the underdeveloped countries of Asia (Bangladesh, China, India) (McKague et al., 2021) and Africa (Morocco, Nigeria, Ghana, Kenya, Mali, Zimbabwe) (McKague et al., 2021), South America (Bolivia) (Ortuño, 2020), while the implementation of this concept in developed countries is extremely rare (McKague et al., 2017). Some examples of successful agricultural social franchises in the mentioned countries, and comparison of their characteristics are summarized in Table 1.

**Table 1** Comparative analysis of agricultural social franchises

Franchise/ Country	Franchisor and franchisees	Business area/ Franchise objectives	Franchise results	References
Honey Care Africa / Kenya	Franchisor is social enterprise Honey Care Africa, which seeks to increase income for small farmers through beekeeping. Franchisees are rural entrepreneurs engaged in beekeeping and honey production. End customers are individuals who buy honey that Honey Care Africa buys from franchisees.	Honey production Objectives: <ul style="list-style-type: none"> <li>▪ Achieving rural development through stimulating the development of beekeeping</li> <li>▪ Reducing poverty and increasing the employment rate through the inclusion of rural entrepreneurs in the social franchise</li> <li>▪ Promotion of sustainable beekeeping</li> </ul>	The Honey Care Africa franchise has become a source of income for around 7,800 of the poorest small farmers who have become franchisees. Biodiversity is enhanced through the "bees for trees" partnership, in which local farmers receive free beehives in exchange for reforestation of the land.	Wheeler et al., 2005, UNDP, 2012
Seed, Stock and Supplies /Kenya	Franchisor is Seed, Stock and Supplies, a social franchise that performs centralized procurement of agricultural inputs and distribution to franchisees. Franchisees are entrepreneurs in rural areas who sell agricultural products and services in their franchise units. End customers are small farmers.	Sale of agricultural products and services Objectives: <ul style="list-style-type: none"> <li>▪ Increasing the productivity and income of small farmers</li> <li>▪ Decreasing the unemployment rate</li> <li>▪ Poverty reduction</li> <li>▪ Availability of quality agricultural products and services even in the most remote rural areas</li> </ul>	Seed, Stock and Supplies franchisees earn 5 times more than local non-franchise farm store owners.	Diochon et al., 2017
Babban Gona / Nigeria	Franchisor is a Babban Gona social franchise that provides its franchisees with quality agricultural inputs, financial and marketing support, and training and education services. Franchisees are rural entrepreneurs	Production of corn, rice and soybeans Objectives: <ul style="list-style-type: none"> <li>▪ Poverty reduction</li> <li>▪ Increasing the small farmers income</li> <li>▪ Reduction of unemployment</li> <li>▪ Provision of high-quality inputs at the best prices</li> </ul>	"Skoll Award for Social Entrepreneurship 2017" for poverty reduction in Nigeria. In the period 2012-2016 the company grew 250 times. Babban Gona franchisees produce an average of 4 tons of maize per hectare compared to the	Agarwal & Satish, 2018, Babban Gona, 2023.

	who cultivate the land and grow corn, rice and soybeans. End customers are large companies such as Nestle, but also smaller companies from the food sector and poultry farmers.		national average of 1.5 tons per hectare. Franchisees have reduced input costs by 50% and sell their products at a 35% higher price. On average, Babban Gona franchisees earn \$555 per hectare.	
Krishi Utsho Shop / Bangladesh	Franchisor is Krishi Utsho, a company that performs centralized procurement of agricultural inputs and distribution to franchisees. Franchisees are entrepreneurs in rural areas who sell agricultural products and services in their franchise units. End customers are small farmers.	Sale of agricultural products and services Objectives: ▪ Improving the lives of rural entrepreneurs and poor families in rural areas through the expansion of the franchise network ▪ Increased access to quality agricultural products and services for small farmers in Bangladesh	Small farmers increased their income by 81%. Franchisees could earn up to \$1,480 per month.	McKague et al., 2014a, McKague et al., 2014b, McKague et al., 2014c, McKague et al., 2015, McKague et al., 2017, CARE, 2023
Farm Shop / Kenya	Franchisor is Farm Shop, a company that performs centralized procurement of agricultural inputs and distribution to franchisees. Franchisees are entrepreneurs in rural areas who sell agricultural products and services in their franchise units. End customers are small farmers.	Sale of agricultural products and services Objectives: ▪ Improving food safety ▪ Increasing the productivity of small farmers ▪ Increasing access to quality agricultural inputs, knowledge and services ▪ Increasing the capacity of small farmers and franchisees ▪ Gender equality	By early 2018, Farm Shop had grown to a network of 74 stores serving 30,000 small farmers. 26,578 small farmers received training on various aspects of agronomy and animal husbandry (52% women). 38% of Farm Shop employees, 51% of franchisees and 54% of salespeople in franchise units are women.	McKague et al., 2018, McKague et al., 2021, Devex, 2023, Farm Shop, 2023

*Source:* Authors based on cited literature

The above analyzed business examples of the agricultural social franchises in the countries of Asia and Africa provide opportunities to learn certain lessons and see the implications and possibilities of applying the model in our country. When it comes to certain elements of the ecosystem of agricultural social franchises, we can highlight the following conclusions from the analyzed case studies.

- When it comes to securing *financial resources*, a large number of social franchises manage to attract large grants, thanks to the social mission which they are dedicated to. For example, in 2015, the social franchise Farm Shop received a grant for global impact on food security from the International Development Research Center and Global Affairs Canada within the Canadian International Food Security Research Fund (CIFSRF) (McKague et al., 2021). When it comes to the Krishi Utsho Social Franchise, CARE Bangladesh, through partnership with microfinance institutions, helps Krishi Utsho franchisees to get start-up loans of USD 500. It is important to mention the contribution of the Bill and Melinda Gates Foundation in the form of a donation, all for the purpose of fighting global poverty (McKague, 2014a, McKague, 2014b, McKague et al., 2015). In Honey Care franchise, there is a partnership arrangement with microfinance institutions and non-governmental organizations that allows franchisees access to microfinance loans for the purchase of beehives and beekeeping training (Wheeler et al., 2005). In the Seed, Stock and Supplies franchise, they saw that the franchisee's capital is a stumbling block for successful business and the expansion of the franchise network, and the franchisor initially provides loans to franchisees (Diochon et al., 2017). Babban Gona Franchise helps its franchisees with loans of USD 1,000 per hectare with a repayment term of 18 months at an annual interest rate of 18%, with a loan repayment rate of as high as 99.9%. Babban Gona also helped its franchisees raise additional funds through the crowdfunding platform [www.kiva.org](http://www.kiva.org) (Agarwal & Satish, 2018).
- When it comes to *human capital*, social franchise Farm Shop organizes trainings for franchisees, employees in franchise units, but also farmers on agriculture and agricultural inputs, as well as crop and livestock management (McKrauge et al., 2018). Krishi Utsho conducts training for franchisees in the areas of bookkeeping, inventory management, marketing and financial planning, but also in the domain of entrepreneurship and opportunity recognition, which directly contributes to expanding the capacity of entrepreneurs in the rural areas where this franchise operates (McKague et al., 2017). Honey Care collaborates with non-governmental organizations and the Kenyan government in the implementation of training for franchisees on beekeeping and the provision of advisory services. Initial training for franchisees includes assistance with setting up hives, collecting honey and familiarizing them with ways to maintain quality standards to ensure maximum yields. Ongoing support refers to visits by the franchisor to the franchisees at least twice a year with the aim of monitoring the franchise progress (Jensen & Sutter, 2009). In order to improve capacity, Babban Gona launched Farm University, as a training platform that enables franchisees to develop an entrepreneurial mindset, master organizational, business and agricultural skills and adopt best practices to improve their yields (Agarwal & Satish, 2018). Seed, Stock and Supplies provides agricultural training to its franchisees, so they can provide support and advice to small farmers on the agricultural products and services they offer. It is the training and support provided by franchisors to franchisees that differentiate franchise systems from other farm shops. In other agricultural stores, small farmers only buy products, while in the franchise unit they also receive professional advice, thus improving the franchisee's reputation in the local market (Diochon et al., 2017).
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also receive professional advice, thus improving the franchisee's reputation in the local market (Diochon et al., 2017).

- When it comes to *supporting* agricultural social entrepreneurs, a good example is the Krishi Utsho franchise, which through the non-governmental organization and its founder CARE Bangladesh received primarily financial support of over 9 million US dollars in funding from the Bill and Melinda Gates Foundation for the improvement of the dairy sector in Bangladesh (McKague, 2014a, McKague, 2014b, McKague et al., 2015). Honey Care launched the "bees for trees" project, funded by NGOs and their donors and the Kenyan government, in which farmers receive free beehives in exchange for afforestation of land areas (Wheeler et al., 2005). Seed, Stock and Supplies received as much as 250,000 USD from the Tofina Foundation for the realization of its social mission in Kenya (Diochon et al., 2017). Initial support for the development of the Babban Gona franchise was provided by the Alliance for a Green Revolution in Africa (AGRA) in 2012, which helped take the first step towards improving the incomes and livelihoods of small farmers in Nigeria. Later, Babban Gona received support from various organizations in the form of grants/donations, loans and professional support. Some of these organizations are: Bill and Melinda Gates Foundation, International Institute for Tropical Agriculture (IITA), United States Agency for International Development (USAID), Skoll Foundation and Department for International Development (DfID) (Agarwal and Satish, 2018).
- When it comes to *the market*, the Farm Shop franchise strives to build a relationship of trust between the franchisor and franchisees, but also with end customers, through greater access to distribution channels and quality agricultural inputs (Farm Shop, 2023). Similar to Farm Shop, CARE Bangladesh has organized Krishi Utsho franchise units into a cohesive network through a shared supply chain, product distribution from centrally located warehouses to individual franchisees, and ongoing capacity building and training (McKague et al., 2017, Care, 2023). Honey Care distributes high-quality Langstroth hives to its franchisees in rural communities, provides intensive beekeeping training, buys honey produced by franchisees at fair market prices and markets it (UNDP, 2012). Babban Gona provides members with high-quality inputs at the most affordable prices, with marketing support, centralized supply and distribution, which resulted in attracting Nestle as the franchise's first customer (Agarwal & Satish, 2018). Seed, Stock and Supplies is a franchise that was founded precisely with the aim of improving the quality of agricultural products and services offered to small farmers and making these products and services available even in the smallest rural areas (Diochon et al., 2017).
- When it comes to *the culture* of entrepreneurship, most social franchises (such as the analyzed franchises Farm Shop, Krishi Utsho, Babban Gona, etc.) encourage the entrepreneurial spirit of franchisees through their training and education programs. The results of entrepreneurial training are not lacking, and thanks to the franchise business model, the positive social impact is multiplied precisely through expansion through franchise units owned by franchisees. The aforementioned contributes to the reduction of poverty and the unemployment rate, along with the employment of vulnerable categories of the population and the increase of franchisees income (McKague et al., 2018).
- Finally, in terms of *policy* as an element of the entrepreneurial ecosystem, the governments of Kenya, Bangladesh and Nigeria provide support for social franchising, but they still do not sufficiently understand the importance of franchising for the achievement of global social goals, and these franchises rely more on the help of non-

governmental organizations, funds and international organizations and institutions. Some of them which focus on social entrepreneurship and franchising in their activities are: International Development Research Center and Global Affairs Canada within the Canadian International Food Security Research Fund (CIFSRF), the World Bank and the International Finance Corp., Swiss Contact & Swiss Development Corporation, UNDP, U.S. Ambassador's Fund, German Embassy, Embassy of Finland, Aga Khan Foundation, Community Action for Rural Development (CARD), Gates Foundation, World Vision, Farm Africa and others (UNDP, 2012).

##### 5. IMPLICATIONS AND POSSIBILITIES OF APPLYING THE MODEL IN THE REPUBLIC OF SERBIA

Agriculture represents an important sector of the economy of Serbia, whose gross added value (GVA) participates in the total GVA with about 8% and whose participation in the formation of the GDP of the Republic of Serbia is 5.3% (RZS, 2022a, 2022b). Agriculture with the food industry is the only sector of the Serbian economy that achieves a positive foreign trade balance, whereby agricultural and food products participate in the total value of Serbia's export with 21.3%, and import makes up 8.8% of the value in 2020. The number of agricultural farms decreased by 9.9% from 2012 to 2018. As much as 99.7% of agricultural farms in Serbia are family farms, while legal entities (i.e. companies and firms) and entrepreneurs (as agricultural farms) participate in the total number of farms with only 0.3%. The average area of agricultural land per farm is 6.1 ha, with 38% of farms having agricultural land of up to 2 ha. The facts that the average age of the head of the farm is 61, and that only every 14th head of the farm is younger than 40 years, are worrying (Ministarstvo poljoprivrede, šumarstva i vodoprivrede, 2022a). Therefore, perhaps the biggest problems of our agricultural sector are elderly households, the migration of young people from the countryside and fragmented farms. The above implies problems related to the absence of the use of modern agricultural methods and the latest knowledge in the field of agriculture. In this sense, it is necessary to modernize the agricultural sector, by attracting young people and improving their capacities, all with the aim of increasing the productivity of the Serbian agricultural sector.

Despite efforts to achieve the goals stated in the Strategy for Agriculture and Rural Development of the Republic of Serbia, average monthly net earnings in agriculture are 14-15% lower than average net earnings at the economy level. Therefore, it is extremely important to increase the competitiveness of agricultural producers and products and services they offer, through increasing quality in order to meet the demands of the global market (Ministarstvo poljoprivrede, šumarstva i vodoprivrede, 2022a). In this way, social agricultural franchising as a business model can be of great help, bearing in mind that franchises offer standard quality products and services and enable relatively fast expansion of the franchise network. Therefore, it is very important to foresee the development of social agricultural franchising in the Strategy for Agriculture and Rural Development. The National Program for Agriculture should include incentives for the development of social agricultural franchising, in order to achieve economies of scale and increase productivity through the multiplication of positive social effects with the implementation of the franchise business model. From a broader point of view, the social entrepreneurship sector in Serbia is still not sufficiently recognized by decision-makers. In fact, social enterprises in Serbia are almost exclusively

developed with support from non-governmental organizations and international institutions (KoRSE, 2021).

Based on the analysis of the Coalition for Solidarity Economy Development KoRSE (KoRSE, 2022), it is concluded that the ecosystem of social enterprises in Serbia is something that needs to be built in the future, because the current state, types and interconnection of actors can hardly be called an ecosystem. The social entrepreneurship sector in Serbia is characterized by a weak connection between actors, insufficiently developed connections and relationships between them, and little interest of the public and private sectors in the realization of social ideas. A large number of social enterprises have maintained their operations thanks to donations from non-governmental organizations, international donors or fundraising through crowdfunding campaigns (KoRSE, 2021, KoRSE, 2022). Social enterprises expect support in the form of financial incentives not only from non-governmental organizations and donors (donations, grants), but also in the form of state subsidies and loans from commercial banks. Greater support is also needed from the government, The Chamber of Commerce and professional associations in terms of organizing training in the field of management, as well as acquiring business and communication skills.

One example of good practice is the social enterprise Bio Idea, which operates according to the principles of social franchise. Bio Idea is a social enterprise that has been actively contributing to the development of social entrepreneurship in Serbia since 2011. The goal of this social enterprise is to educate and network the hard-to-employ categories of the population (franchisees), so that they can independently start entrepreneurial workshops for the production of ecological hygiene products. Bio Idea buys raw materials from farmers and trains women, especially women from remote and rural areas, to become franchisees. Bio Idea soaps are made from natural raw materials without synthetic preservatives, additives and colors (Solidarna ekonomija, 2020, 2022). The Bio Idea social franchise, in addition to entrepreneurs, also networks social and agricultural cooperatives. The production of soap from used cooking oil is one of the innovations that enables the sustainability of the network within the circular economy (Biznis vesti, 2022). Based on the example of good practice, as well as the above-mentioned examples from other countries, social franchises can be started in rural areas, and contribute to the self-employment of local farmers, the employment of vulnerable categories of the population, and the increase of agricultural yields and income. The interaction of different actors of the ecosystem contributes to networking and cooperation, which serve the purpose of exchanging and increasing knowledge.

The experiences of analyzed social agricultural franchises from Kenya, Bangladesh and Nigeria can serve as an example of good practice for the development of social franchising in rural areas in Serbia. Social agricultural franchising in Serbia would contribute to reducing poverty in rural areas, increasing the employment rate, and increasing agricultural income. The examples of the analyzed countries are significant, bearing in mind that there are some common characteristics between Serbia and the aforementioned countries. Primarily, social agricultural franchises receive the most support from the non-governmental sector, while the support of the state and public institutions is still insufficient. The situation is similar, as can be seen from the above, in the case of social enterprises in Serbia.

The key recommendations for developing the ecosystem of social enterprises and social franchising in Serbia refer to: connecting actors and sharing knowledge, promotion and education, but also the development of policies that will stimulate the social entrepreneurship sector. It is extremely important to promote the existing good practices

of social enterprises, as models that have a positive role in the social community. It is equally important to direct promotion and education about social entrepreneurship to the public sector, the private sector, and all individuals in the community (KoRSE, 2022).

## 6. CONCLUSIONS

Poverty is one of the biggest obstacles to economic growth and development. Agriculture plays a significant role in reducing poverty for the most developing countries and regions, as it represents the second largest source of employment in the world after the service sector. Agricultural franchising has the potential to solve a large number of problems in the agricultural sector in many countries. The aim of the analyzed social agricultural franchises is to improve the quality of life of rural entrepreneurs by offering them a financially sustainable business solution.

Based on a detailed analysis of business examples of the development of agricultural social franchises in the countries of Asia and Africa, we can draw certain lessons and possibilities of applying this business model in our country. When it comes to securing funding, a large number of social agricultural franchises attract large grants thanks to their social mission. In addition, these franchises cooperate with microfinance institutions and non-governmental organizations that enable franchisees to access microloans. Some franchisors provide favorable loans to franchisees and help them raise additional funds through crowdfunding platforms. When it comes to human capital, the analyzed social agricultural franchises organize initial and ongoing training for all franchisees. The expansion of the franchise network contributes to multiplying the positive social impact, reducing poverty and the unemployment rate.

When we talk about the possibility of implementing social agricultural franchising in the Republic of Serbia, it should be emphasized that the biggest problem of our agricultural sector is the lack of use of modern agricultural methods that can contribute to development of productive agriculture, bearing in mind the predominantly elderly households, the migration of young people from the countryside and fragmented farms. Through the inclusion of rural entrepreneurs in franchise systems and their continuous training, social agricultural franchises can significantly contribute to reducing poverty and unemployment and improving the quality of life in rural areas. The ecosystem of social enterprises in Serbia still needs to be built, primarily through connecting actors and sharing knowledge, improving access to financing, promotion and education, but also the development of policies that will stimulate the social entrepreneurship sector. The experiences of analyzed social agricultural franchises from Kenya, Bangladesh and Nigeria can serve as an example of good practice for the development of social franchising in rural areas as well as agriculture entrepreneurs ecosystem deployment in Serbia, with the final aim of developing productive agriculture that will lead to overall social development.

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## PREDUZETNIČKI EKOSISTEM AGRARNOG SOCIJALNOG FRANŠIZINGA

*Iako je primena koncepta socijalnog franšizinga relativno nova u agrarnom biznisu, u poslednje vreme se pojavljuju primeri uspešnih poslovnih priča, posebno u nerazvijenim zemljama Azije, Afrike i Južne Amerike. Cilj rada je da se primenom kvalitativne analize višestrukih studija slučaja utvrde najbolji primeri preduzetničkih ekosistema socijalnih franšizinga u poljoprivredi i ukaže na značaj implementacije socijalnog agrarnog franšizinga u razvoju agrobiznisa u Republici Srbiji. Iskustva analiziranih socijalnih agrarnih franšiza iz Kenije, Bangladeša i Nigerije mogu poslužiti kao primer dobre prakse za razvoj socijalnog franšizinga u ruralnim područjima u Srbiji, sa ciljem razvoja produktivne poljoprivrede koja će voditi ekonomskom razvoju. Veoma je važno omogućiti razvoj socijalnog agrarnog franšizinga kroz Strategiju poljoprivrede i ruralnog razvoja, imajući u vidu niz pogodnosti koje se mogu ostvariti u poljoprivredi Srbije, pre svega kada je reč o razvoju ruralnih područja i povećanju prihoda i socijalnog blagostanja poljoprivrednika.*

Ključne reči: *agrarni socijalni franšizing, preduzetnički ekosistem, franšizing, socijalni franšizing, poljoprivreda*